The TORO Year★

Annual Report 1951

FOR THE FISCAL YEAR ENDING AUGUST 31

Toro Manufacturing Corporation, Minneapolis, Minnesota

TORO POWER MOWERS

The Toro Year in Summary

	Year Ended August 31	
FOR THE YEAR	*1951*	*1950*
Net Sales	$9,046,579	$7,241,420
Net Earnings	231,515	300,471
Dividends	87,019	87,019
Earnings retained in the business	$ 144,496	$ 213,452
Earnings per dollar of sales	2.56%	4.15%
AT END OF THE YEAR		
Current Assets	$3,024,470	$2,286,696
Less Current Liabilities	1,413,238	638,497
Net Current Assets (working capital)	$1,611,232	$1,648,199
Total Assets	$4,008,264	$3,139,027
Total Liabilities	1,813,238	1,088,497
Excess of assets over liabilities	$2,195,026	$2,050,530
PER SHARE OF STOCK		
Net earnings for the year	$ 3.33	$ 4.32
Dividends	1.25	1.25
Net earnings retained in the business	2.08	3.07
Book value of common stock	$ 31.54	$ 29.46
Number of stockholders at the end of the year	315	316
Number of employees at the end of the year	418	336

To Toro Stockholders and Employees:

ON succeeding pages of this report are financial statements which set forth the results of Toro-Whirlwind operations for the fiscal year ended August 31, 1951 and the financial status of your company as of that date.

You will note from the comparative figures shown on these statements that sales of Toro-Whirlwind products and services in the year just finished exceeded those of last year—the previous record year—by approximately 25% while net profits after taxes declined to $231,515 or 2.6% per sales dollar. This decline in profits was the result of a combination of factors among which the most important were:

1. Governmental price controls which prevented us from fully recovering wage and material cost increases;

2. Increases in Federal Income Tax rates; and

3. Higher manufacturing costs due to inadequate facilities for manufacturing the increased volume needed to meet the demand for our products.

The first two factors listed above will be with us again in the coming year and governmental restrictions on the quantities of metals we may use for our products will also have an important influence on our operations. Such restrictions will make it necessary for us to secure additional defense work to supplement that which we already have so as to maintain our volume and working force.

To provide the facilities we need to manufacture our products profitably, we have purchased a large plant in the town of Windom, Minnesota. In this plant—which is already in operation—we are combining the production of our lines of home owner reel type power mowers which were formerly produced in two separate plants. This will give us an efficient production volume and will relieve one of our plants which was taxed beyond its capacity during the past year.

While we are faced with many difficulties in the coming year due principally to problems caused by the National Defense effort, we are confident that with the continued demand for our products and the improvement in our manufacturing facilities, we will be able to achieve satisfactory results.

Chairman, Board of Directors *President*

Minneapolis, Minnesota November 6, 1951

Statement of Operations

	Year ended August 31 *1951*	*1950*
Sales of products	$9,046,579	$7,241,420
Costs:		
Wages, salaries and social security taxes	1,640,497	1,251,936
Products and services bought	6,623,629	5,178,104
Portion of cost of buildings and equipment allocated to operations (depreciation)	110,348	88,781
Cash discount on sales	139,191	112,789
Interest paid	44,029	29,788
Real estate and personal property taxes	52,870	50,551
Federal and State taxes on income (note 3)	204,500	229,000
Total Costs	8,815,064	6,940,949
Earnings for year	231,515	300,471
Deduct amount set aside for dividend ($1.25 per share)	87,019	87,019
Earnings for year retained in business	144,496	213,452
Earnings retained in business at beginning of year	1,301,290	1,087,838
Earnings retained in business at end of year (note 4)	$1,445,786	1,301,290

See accompanying notes to financial statements.

Statement of Financial Position

	August 31 *1951*	*1950*
Current Assets:		
Cash in banks and on hand	$ 218,505	$ 869,633
Accounts receivable, less allowance for doubtful accounts (note 1)	596,721	507,918
Inventories (note 2)	2,157,708	896,815
Prepaid expenses	51,536	12,330
	3,024,470	2,286,696
Less Current Liabilities:		
Notes payable to banks	375,000	—
Accounts payable	515,017	197,160
Accrued expenses	127,031	118,024
Provision for taxes on income (note 3)	309,171	236,294
Dividend payable	87,019	87,019
	1,413,238	638,497
Net Current Assets (working capital)	1,611,232	1,648,199
Deduct Long-term Indebtedness (note 4)	400,000	450,000
	1,211,232	1,198,199
Other Assets (note 5)	134,139	112,000
Land, Buildings and Equipment (note 6)	849,653	740,329
Patents, Trade-marks and Goodwill—nominal value	2	2
	$2,195,026	$2,050,530
Represented by:		
Amounts paid in by stockholders (note 7)	$ 749,240	$ 749,240
Earnings retained in business, as per statement of operations	1,445,786	1,301,290
	$2,195,026	$2,050,530

See accompanying notes to financial statements.

WHIRLWIND POWER MOWERS

Notes to Financial Statements

1. Accounts receivable are as follows:

	August 31 1951	August 31 1950
Trade:		
Subsidiary company	$ 97,111	$178,955
Others	487,040	342,567
Sundry accounts and advances	36,067	9,779
	620,218	531,301
Less allowance for doubtful accounts	23,497	23,383
	$ 596,721	$507,918

2. Inventories, stated at the lower of cost (first-in, first-out) or market (replacement cost), are summarized as follows:

	1951	1950
Finished goods	$ 84,719	$ 80,676
Work in process and purchased parts	1,913,377	724,029
Raw materials	159,612	92,110
	$2,157,708	$896,815

3. The liability for Federal taxes on income for the year ended August 31, 1951 has been determined in accordance with the Revenue Act of 1951, enacted October 20, 1951. No provision for excess profits tax was required.

4. The long-term indebtedness matures as follows:

	1951	1950
$50,000 instalments due September 1, 1952—1953; interest at 3½% per annum	$ 100,000	$150,000
$50,000 instalments due September 1, 1954—1959; interest at 4% per annum	300,000	300,000
	$ 400,000	$450,000

Under the terms of the loan agreement covering the instalment notes payable, the amount of surplus at August 31, 1951 available for cash dividends was approximately $300,000. The agreement also provides, among other things, for certain working capital requirements and places certain restrictions on the acquisition and redemption of the company's own capital stock.

5. Other assets are as follows:

	1951	1950
Investment in capital stock of subsidiary company—at cost	$ 14,139	—
Due from subsidiary company—non-current	100,000	82,000
Notes receivable—subsequently realized	20,000	30,000
	$ 134,139	$112,000

An additional $79,000.00 was invested in a subsidiary on October 1, 1951.

6. Land, buildings and equipment are stated at cost less the portion of cost allocated to operations (depreciation) as follows:

	Cost	*Portion of Cost Allocated to Past Operations (Depreciation)*	*Amount to be Allocated to Future Operations*
August 31, 1951:			
Land	$ 31,378	—	31,378
Buildings	515,144	142,964	372,180
Equipment	749,337	303,242	446,095
	$1,295,859	446,206	849,653
August 31, 1950	$1,143,322	402,993	740,329

7. Amounts paid in by stockholders consist of the following:

Common stock (authorized 100,000 shares of $1 par value each) issued 69,880 shares	$ 69,880
Other amounts paid in by stockholders	680,950
Total Paid in Cash or Property	750,830
Less stock held in treasury—265 shares, $1 par value each—at cost	1,590
	$749,240

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.

To the Board of Directors,

Toro Manufacturing Corporation of Minnesota:

We have examined the consolidated statement of financial position of Toro Manufacturing Corporation of Minnesota and wholly-owned subsidiary, Whirlwind, Inc., as of August 31, 1951 and the related statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial position and related statement of operations, with notes thereon, present fairly the financial position of Toro Manufacturing Corporation of Minnesota and wholly-owned subsidiary at August 31, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Minneapolis, Minnesota.
October 23, 1951.

Toro Manufacturing Corporation of Minnesota

BOARD OF DIRECTORS

R. C. Lilly, *Chairman*, St. Paul, Minn.
Chairman of the Board, First National Bank of St. Paul

Algot F. Johnson, Minneapolis, Minn.
President, Al Johnson Construction Co.

Jack C. Foote, St. Paul, Minnesota
Doherty, Rumble, Butler & Mitchell

David M. Lilly, St. Paul, Minn.
President, Toro Manufacturing Corp.

Philip Nason, St. Paul, Minn.
Assistant to President, First National Bank, St. Paul

Kenneth E. Goit, Minneapolis, Minn.
President, Soilaire Industries

C. Whitney Miller, Minneapolis, Minn.
President, Minnesota Toro, Inc.

Robert W. Gibson, Minneapolis, Minn.
Vice President, Toro Manufacturing Corporation

EXECUTIVE COMMITTEE

Philip Nason, *Chairman*

David M. Lilly
C. Whitney Miller
R. W. Gibson

OFFICERS

David M. Lilly, *President*
R. W. Gibson, *Vice President*
W. F. Miller, *Vice President*
E. S. Conover, *Secretary-Treasurer*
C. E. Ostberg, *Assistant Secretary*

TRANSFER AGENT AND REGISTRAR

First National Bank, Minneapolis

GENERAL COUNSEL

Doherty, Rumble, Butler & Mitchell, St. Paul, Minn.

INDUSTRIAL RELATIONS COUNSEL

Van Fossen & Van Fossen, Minneapolis, Minn.

INDEPENDENT AUDITORS

Peat, Marwick, Mitchell & Co., Minneapolis, Minn.

The TORO *Year*★

Annual Report 1952

FOR THE FISCAL YEAR ENDING AUGUST 31

Toro Manufacturing Corporation, Minneapolis, Minnesota

The Toro Year in Summary

	Year Ended August 31 1952	1951
FOR THE YEAR		
Net sales	$9,747,487	$9,046,579
Net earnings	$ 298,805	$ 231,515
Dividends	105,325	87,019
Earnings retained in the business	$ 193,480	$ 144,496
Earnings per dollar of sales	3.07%	2.56%
AT END OF THE YEAR		
Current assets	$3,025,056	$2,997,779
Less current liabilities	839,898	1,413,238
Net current assets (working capital)	$2,185,158	$1,584,541
Total assets	$4,180,209	$4,008,264
Total liabilities	1,189,898	1,813,238
Excess of assets over liabilities	$2,990,311	$2,195,026
PER SHARE OF COMMON STOCK		
Net earnings for the year	$ 4.00	$ 3.33
Dividends	1.25	1.25
Net earnings retained in the business	2.75	2.08
Book value of common stock	34.02	31.54
Number of stockholders at the end of the year	319	315
Number of employees at the end of the year	450	418

To Toro Stockholders and Employees:

DURING the fiscal year which ended August 31, 1952 your management took many steps to strengthen your company and improve its position in the lawn mower industry. Included in these were the expansion of our facilities in Windom, Minnesota to permit us to assemble all of our small lawn mowers, both reel and rotary in one plant—the sale of our manufacturing facilities in Milwaukee, Wisconsin—the sale of $600,000 of preferred stock—the construction of a complete Engineering Research and Development Center in Minneapolis—and the introduction of various new products.

Of most importance to the long range future of your company was the construction of an Engineering Research and Development Center, where we will concentrate on the development of new and better products. The Center includes Engineering and Design offices, complete Experimental shop, and grounds for testing our products under all conditions. It is the first in our industry and will enable us to continue our growth in the years to come.

In addition to housing the Engineering Center our new building has provided facilities for a consolidated service parts depot. With this depot we will be able to furnish more rapid delivery of parts to our distributors thus enabling them to carry on their important service functions even more effectively.

To reduce our manufacturing costs we have sold our plant in Milwaukee, Wisconsin and have transferred the manufacture of our Whirlwind rotary products to our plants in Minneapolis and Windom. The expansion of our Windom plant will enable us to produce in two locations instead of three thereby reducing our total manufacturing costs. The sale of our Milwaukee plant provided $150,000 of the $200,000 required to build our Engineering Center and Service Parts depot, thus, in effect, accomplishing two results.

The rapid growth of our business and the need for additional machine tools to bring about lower costs made it desirable to sell $600,000 of 6% Preferred Stock. This issue was approved by the stockholders on March 3 and the sale to Investors Syndicate of America was completed on March 6 at a total cost of $9,160. With these funds we have improved our working capital position and can continue our efforts to improve manufacturing operations.

In order to reduce seasonal effects of the lawn mower market on our business we are currently introducing new products designed to increase our sales in the fall and winter months. One of these products is a small rotary snow plow for the average home owner. From initial reports from our distributors and dealers it appears that we can look forward to a considerable volume of business in this line and it should improve overall results. Another product which promotes the sale of rotary mowers in the fall is an attachment for our rotary mowers effecting an inexpensive method of mulching leaves. Simply fastened under our rotary mowers it holds the leaves within the housing until they have been broken up into small pieces. Discharged back on the ground the "leaf mulch" becomes a fertilizer for the lawn.

To provide additional incentive for our employees and as a means of saving for retirement a Profit Sharing Trust was approved by the Board of Directors effective for the year just closed. Under this plan 4% of profits before taxes are set aside to be allocated among employees on the basis of individual earnings and length of service. Currently limited by law to employees not represented by labor unions, it is hoped that, through negotiation, we can extend it to all employees so that the combined aims of increased employee incentive and individual security can be achieved.

Labor relations have been generally satisfactory during the year except for a two week strike at our Windom plant. This dispute was settled in a manner satisfactory to both management and employees.

The financial statements included in this report show an increase in our total volume of $700,908 over the previous record year of 1951 and an increase of $67,290 in profit after taxes. The additional profit was due primarily to improvements in our manufacturing methods which were sufficient to offset higher wage rates and larger taxes on income. While these results are encouraging the return of 3 cents per sales dollar is inadequate and below what we hope to achieve after the full effects of the steps outlined above have been realized.

R. C. Lilly
Chairman, ~~Board of~~ Directors

D. M. Lilly
President

Minneapolis, Minnesota

November 6, 1952

Consolidated

Operations

	Year ended August 31 1952	1951
Sales of products	$9,747,487	$9,046,579
Costs:		
Wages, salaries and retirement benefits	1,998,233	1,640,497
Products and services bought	6,751,962	6,623,629
Portion of cost of buildings and equipment allocated to operations (depreciation)	110,974	110,348
Cash discount on sales	146,265	139,191
Interest paid	59,709	44,029
Real estate and personal property taxes	55,539	52,870
Federal and State taxes on income	326,000	204,500
Total costs	9,448,682	8,815,064
Earnings for year	$ 298,805	$ 231,515

Earnings Retained in Business

Earnings for year	$ 298,805	$ 231,515
Deduct amounts set aside for dividends:		
On 6% preferred stock issued during year	17,500	—
On common stock ($1.25 per share)	87,825	87,019
Total dividends	105,325	87,019
Earnings for year retained in business	193,480	144,496
Deduct costs incidental to issuance of preferred stock	9,160	—
	184,320	144,496
Earnings retained in business at beginning of year	1,445,786	1,301,290
Earnings retained in business at end of year	$1,630,106	$1,445,786

See accompanying notes to financial statements.

Statements

Financial Position

	August 31 1952	August 31 1951
Current assets:		
Cash	$ 363,292	$ 218,505
Receivables	762,030	596,721
Inventories	1,863,426	2,157,708
Prepaid expenses	36,308	24,845
	3,025,056	2,997,779
Less current liabilities:		
Notes payable to banks	—	375,000
Accounts payable	249,798	515,017
Accrued expenses	122,240	127,031
Provision for taxes on income	371,035	309,171
Dividends payable	96,825	87,019
	839,898	1,413,238
Net current assets (working capital)	2,185,158	1,584,541
Deduct long-term indebtedness	350,000	400,000
	1,835,158	1,184,541
Other assets	219,112	160,830
Land, buildings and equipment	936,039	849,653
Patents, trade-marks and goodwill—nominal value	2	2
Excess of assets over liabilities	$2,990,311	$2,195,026

Sources of Capital

	1952	1951
Amounts paid in by stockholders	$1,360,205	$ 749,240
Earnings retained in business, as per accompanying statement	1,630,106	1,445,786
	$2,990,311	$2,195,026

See accompanying notes to financial statements.

Notes to Financial Statements

1. **Wages, salaries and retirement benefits** include social security taxes and, in 1952, a contribution to The Toro Profit Sharing Plan amounting to $25,898.

2. **Earnings retained in business** at August 31, 1952 were restricted as to dividend payments except to the extent of $298,000 under the provisions of the Articles of Incorporation relating to the preferred stock. There are certain other restrictions contained in the Articles, as well as in the agreement covering the long-term indebtedness, relating to maintenance of working capital, creation of liabilities and other matters.

3. **Receivables** are as follows:

	1952	*1951*
Trade	$ 504,024	$ 487,040
Sundry	20,052	36,067
Due from subsidiaries not consolidated	260,961	97,111
	785,037	620,218
Less allowance for doubtful receivables	23,007	23,497
	$ 762,030	$ 596,721

4. **Inventories,** stated at the lower of cost (first-in, first-out) or market (replacement cost), are summarized as follows:

Finished goods	$ 513,876	$ 84,719
Work in process and purchased parts	1,198,738	1,913,377
Raw materials	150,812	159,612
	$1,863,426	$2,157,708

5. **Long-term indebtedness** matures as follows:

$50,000 instalment due September 1, 1953; interest at 3½% per annum	$ 50,000	$ 100,000
$50,000 instalments due September 1, 1954-1959; interest at 4% per annum	300,000	300,000
	$ 350,000	$ 400,000

6. **Other assets** are as follows:

Investments in (at cost) and advances to subsidiaries not consolidated	$ 194,039	$ 114,139
License agreement	25,073	26,691
Notes receivable	—	20,000
	$ 219,112	$ 160,830

7. **Land, buildings and equipment** are stated at cost less depreciation, except that a plant received by Whirlwind from Toro, in an exchange transaction, continues to carry the basis of the plant given to Toro (and later sold) in such exchange.

Buildings	$ 562,024	$ 515,144
Equipment	834,976	749,337
	1,397,000	1,264,481
Accumulated depreciation	510,948	446,206
	886,052	818,275
Land	49,987	31,378
	$ 936,039	$ 849,653

8. Amounts paid in by stockholders consist of the following:

	1952	*1951*
6% cumulative preferred stock of $100 par value per share. Authorized and issued 6,000 shares	$ 600,000	$ —
Common stock of $1 par value per share. Authorized 100,000 shares; issued 70,525 and 69,880 shares at respective dates	70,525	69,880
Other amounts paid in by stockholders, including $10,320 in excess of par amount of 645 common shares sold in 1952 under employees' stock option plan explained below . .	691,270	680,950
Total paid in cash or property	1,361,795	750,830
Less stock held in treasury—at cost (265 shares common stock of $1 par value per share)	1,590	1,590
	$1,360,205	$ 749,240

The preferred stock may be redeemed in whole or in part at the option of the company at $105 per share through March 1, 1953 and thereafter at prices reducing by 50c per share each year until reaching $100 per share after March 1, 1962, plus accrued dividends in each case.

The Articles of Incorporation require that the company shall retire 360 preferred shares annually beginning in 1953. Also, after August 31, 1953 the company must provide annually a sinking fund in an amount dependent upon the prior year's net income, but not exceeding $25,000, for the retirement of additional preferred shares until 1,680 shall have been retired with funds therefrom. Shares are to be reacquired for retirement under these provisions at a price of $100 per share plus accrued dividends.

Options to purchase an aggregate of 10,350 shares of the company's authorized but unissued common stock at a price of $17.00 per share were issued to several key employees on July 1, 1952. Ten per cent of the options expire each year unless exercised; any remaining options expire July 1, 1957. As of August 31, 1952, 645 shares had been purchased under the plan.

Accountants' Report

The Board of Directors

Toro Manufacturing Corporation of Minnesota:

We have examined the consolidated statement of financial position of Toro Manufacturing Corporation of Minnesota and wholly-owned subsidiary, Whirlwind, Inc., as of August 31, 1952 and the related statements of operations and earnings retained in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial position and statements of consolidated operations and earnings retained in business present fairly the financial position of Toro Manufacturing Corporation of Minnesota and wholly-owned subsidiary, Whirlwind, Inc., at August 31, 1952 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Minneapolis, Minnesota

October 29, 1952

PEAT, MARWICK, MITCHELL & CO.

BOARD OF DIRECTORS

R. C. LILLY, *Chairman*, ST. PAUL, MINN.
Chairman of the Board, First National Bank of St. Paul

ALGOT F. JOHNSON, Minneapolis, Minn.
Chairman of the Board,
Al Johnson Construction Co.

JACK C. FOOTE, St. Paul, Minn.
Doherty, Rumble, Butler & Mitchell

DAVID M. LILLY, St. Paul, Minn.
President, Toro Manufacturing Corporation

PHILIP NASON, St. Paul, Minn.
Assistant to the President,
First National Bank, St. Paul

KENNETH E. GOIT, Minneapolis, Minn.
President, Soilaire Industries

ROBERT W. GIBSON, Minneapolis, Minn.
Vice President, Toro Manufacturing Corporation

EXECUTIVE COMMITTEE

Philip Nason, *Chairman*

David M. Lilly

Robert W. Gibson

OFFICERS

DAVID M. LILLY, *President*

ROBERT W. GIBSON, *Vice President*

E. S. CONOVER, *Vice President, Secretary, Treasurer*

VINCENT SHIELY, *Assistant Vice President*

BRYANT LARSON, *Assistant Secretary*

TRANSFER AGENT AND REGISTRAR

First National Bank, Minneapolis

GENERAL COUNSEL

Doherty, Rumble, Butler & Mitchell, St. Paul, Minn.

INDUSTRIAL RELATIONS COUNSEL

Van Fossen & Van Fossen, Minneapolis, Minn.

INDEPENDENT AUDITORS

Peat, Marwick, Mitchell & Co., Minneapolis, Minn.